

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Balance Sheet as at	Schedule	December 31, 2006	March 31, 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	279	138
Reserves and surplus	2	<u>9,436</u>	<u>6,828</u>
		<u>9,715</u>	<u>6,966</u>
MINORITY INTEREST			
		-	68
		<u><u>9,715</u></u>	<u><u>7,034</u></u>
APPLICATION OF FUNDS			
FIXED ASSETS			
Original cost	3	4,308	2,983
Less: Accumulated depreciation and amortization		<u>1,695</u>	<u>1,328</u>
Net book value		<u>2,613</u>	<u>1,655</u>
Add: Capital work-in-progress		<u>578</u>	<u>571</u>
		<u>3,191</u>	<u>2,226</u>
INVESTMENTS			
	4	2,192	755
DEFERRED TAX ASSETS			
	5	83	65
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry debtors	6	2,216	1,608
Cash and bank balances	7	1,848	3,429
Loans and advances	8	<u>1,786</u>	<u>1,297</u>
		<u>5,850</u>	<u>6,334</u>
LESS: CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	9	1,275	934
Provisions	10	<u>326</u>	<u>1,412</u>
NET CURRENT ASSETS		<u>4,249</u>	<u>3,988</u>
		<u><u>9,715</u></u>	<u><u>7,034</u></u>
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS			
	22		

The schedules referred to above are an integral part of the consolidated balance sheet.

As per our report attached

*for BSR & Co.
Chartered Accountants*

Natrajan Ramkrishna
*Partner
Membership No.32815*

N. R. Narayana Murthy
*Chairman
and Chief Mentor*

Nandan M. Nilekani
*Chief Executive Officer
and Managing Director*

S. Gopalakrishnan
*President,
Chief Operating Officer and
Joint Managing Director*

Deepak M. Satwalekar
Director

Marti G. Subrahmanyam
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Omkar Goswami
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K. Dinesh
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T. V. Mohandas Pai
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V. Balakrishnan
Chief Financial Officer

Bangalore
January 11, 2007

Parvatheesam K.
Company Secretary

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore, except per share data

Consolidated Profit and Loss Account for the	Schedule	Quarter ended		Nine months ended	
		December 31, 2006	2005	December 31, 2006	2005
Income from software services, products and business process management		3,655	2,532	10,121	6,897
Software development and business process management expenses	11	1,938	1,327	5,437	3,644
GROSS PROFIT		1,717	1,205	4,684	3,253
Selling and marketing expenses	12	236	158	661	448
General and administration expenses	13	285	186	829	547
		521	344	1,490	995
OPERATING PROFIT BEFORE INTEREST, DEPRECIATION AND MINORITY INTEREST		1,196	861	3,194	2,258
Interest		-	-	-	-
Depreciation		141	117	369	293
OPERATING PROFIT BEFORE TAX MINORITY INTEREST AND EXCEPTIONAL ITEMS		1,055	744	2,825	1,965
Other income, net	14	59	(5)	253	68
Provision for investments		-	-	3	1
NET PROFIT BEFORE TAX, MINORITY INTEREST AND EXCEPTIONAL ITEMS		1,114	739	3,075	2,032
Provision for taxation on the above	15	130	83	359	233
NET PROFIT AFTER TAX AND BEFORE MINORITY INTEREST AND EXCEPTIONAL ITEMS		984	656	2,716	1,799
Income on sale of investments, net of taxes (refer to note 22.2.20)		-	-	6	-
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND BEFORE MINORITY INTEREST		984	656	2,722	1,799
Minority interest		1	7	10	13
NET PROFIT AFTER TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST		983	649	2,712	1,786
Balance Brought Forward		3,626	2,350	2,219	1,415
Less: Residual dividend paid		-	-	4	-
Additional dividend tax		-	-	1	-
		3,626	2,350	2,214	1,415
AMOUNT AVAILABLE FOR APPROPRIATION		4,609	2,999	4,926	3,201
Dividend					
Interim		-	-	278	177
Final		-	-	-	-
Total dividend		-	-	278	177
Dividend tax		-	-	39	25
Balance in profit and loss account		4,609	2,999	4,609	2,999
EARNINGS PER SHARE *		4,609	2,999	4,926	3,201
Equity shares of par value Rs. 5/- each					
Before Exceptional items					
Basic		17.64	11.85	48.75	32.80
Diluted		17.24	11.52	47.61	31.87
After Exceptional items					
Basic		17.64	11.85	48.88	32.80
Diluted		17.24	11.52	47.73	31.87
Number of shares used in computing earnings per share					
Basic		55,70,34,398	54,75,42,952	55,48,77,140	54,45,78,758
Diluted		56,97,17,084	56,32,09,906	56,81,73,059	56,04,86,992

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

22

* Refer to note 22.2.18

The schedules referred to above form an integral part of the consolidated profit and loss account.

As per our report attached

for BSR & Co.

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Natrajan Ramkrishna
Partner
Membership No.32815

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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Consolidated Cash Flow Statement for the	Schedule	Nine months ended	
		2006	December 31, 2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit before tax, minority interest and exceptional items		3,075	2,032
Adjustments to reconcile net profit before tax to cash provided by operating activities:			
(Profit)/ loss on sale of fixed assets		-	-
Depreciation		369	293
Interest and dividend income		(194)	(133)
Profit on sale of liquid mutual funds		(8)	-
Provisions for investments		3	1
Effect of exchange differences on translation of foreign currency cash and cash equivalents		(27)	(3)
Changes in current assets and liabilities			
Sundry debtors		(608)	(72)
Loans and advances	16	(235)	(59)
Current liabilities and provisions	17	339	176
Income taxes paid	18	(306)	(257)
NET CASH GENERATED BY OPERATING ACTIVITIES		2,408	1,978
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of fixed assets and change in capital work-in-progress	19	(866)	(815)
Proceeds on disposal of fixed assets		-	-
Payment for intellectual property rights (refer to note 22.2.19)		14	-
Investments in securities	20	(1,432)	(995)
Acquisition of minority interest in subsidiary		(599)	-
Interest and dividend income		194	133
Cash flow from investing activities before exceptional items		(2,689)	(1,677)
Proceeds on sale of long term Investments (net of taxes)		6	-
NET CASH USED IN INVESTING ACTIVITIES		(2,683)	(1,677)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital on exercise of stock options		423	453
Dividends paid during the period, including dividend tax		(1,532)	(403)
NET CASH USED IN FINANCING ACTIVITIES		(1,109)	50
Effect of exchange differences on translation of foreign currency cash and cash equivalents		27	4
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,357)	355
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		3,956	1,790
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	21	2,599	2,145
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	22		

The schedules referred to above are an integral part of the consolidated cash flow statement.

As per our report attached

for BSR & Co.
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CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore, except per share data

Schedules to the Consolidated Balance Sheet as at	December 31, 2006	March 31, 2006
1 SHARE CAPITAL		
Authorized		
Equity shares, Rs. 5/- par value		
60,00,00,000 (30,00,00,000) equity shares	300	150
Issued, Subscribed and Paid Up		
Equity shares, Rs. 5/- par value*	279	138
55,78,48,468 (27,55,54,980) equity shares fully paid up		
[Of the above, 53,53,35,478 (25,84,92,302) equity shares, fully paid up have been issued as bonus shares by capitalization of the general reserve]		
	279	138
Forfeited shares amounted to Rs. 1,500/- (Rs 1,500/-)		
* For details of options in respect of equity shares, refer to note 22.2.7		
* Refer to note 22.2.18 for details of basic and diluted shares		
2 RESERVES AND SURPLUS		
Capital reserve	5	5
Capital reserve on consolidation	-	49
Share premium account - As at April 1,	1,543	900
Add: Receipts on exercise of employee stock options	418	571
Income Tax benefit arising from exercise of stock options	-	72
	1,961	1,543
General reserve - As at April 1,	3,012	2,770
Less: Capitalized on issue of bonus shares	138	-
Gratuity transitional liability (refer to note 22.2.21)	13	-
Add: Transfer from the Profit and Loss Account	-	242
	2,861	3,012
Balance in Profit and Loss Account	4,609	2,219
	9,436	6,828

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore except as otherwise stated

Schedules to the Consolidated Balance Sheet

3 FIXED ASSETS

Particulars	Original cost				Depreciation and amortization				Net book value	
	As at April 1, 2006	Additions	Deletions/ Retirement	As at December 31, 2006	As at April 1, 2006	For the period	Deletions/ Retirement	As at December 31, 2006	As at December 31, 2006	As at March 31, 2006
Goodwill	41	468	-	509	-	-	-	-	509	41
Land: free-hold	34	4	-	38	-	-	-	-	38	34
leasehold	104	20	4	120	-	-	-	-	120	104
Buildings	1,022	354	-	1,376	180	62	-	242	1,134	842
Plant and machinery	569	159	-	728	309	80	-	389	339	260
Computer equipment	757	222	2	977	552	165	2	715	262	205
Furniture and fixtures	443	99	-	542	283	55	-	338	204	160
Leasehold improvements	11	4	-	15	4	6	-	10	5	7
Vehicles	2	1	-	3	-	1	-	1	2	2
	2,983	1,331	6	4,308	1,328	369	2	1,695	2,613	1,655
Previous Period	2,287	686	15	2,958	1,031	293	15	1,309	1,649	1,256
Previous year	2,287	841	145	2,983	1,031	437	140	1,328	1,655	

Note: Buildings include Rs. 250/- being the value of 5 shares of Rs. 50/- each in Mittal Towers Premises Co-operative Society Limited

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at December 31, 2006 March 31, 2006

4 INVESTMENTS

Trade (unquoted) – at cost

Long-term investments	12	17
Less: Provision made for investments	12	15
	-	2

Non-trade (unquoted), current investments, at the lower of cost and fair value

Liquid mutual funds	2,192	753
	<u>2,192</u>	<u>755</u>
Aggregate amount of unquoted investments	<u>2,192</u>	<u>755</u>

5 DEFERRED TAX ASSETS

Fixed assets	73	57
Sundry debtors	3	2
Leave provisions and others	7	6
	<u>83</u>	<u>65</u>

6 SUNDRY DEBTORS

Debts outstanding for a period exceeding six months

Unsecured		
considered good	-	-
considered doubtful	25	8

Other debts

Unsecured		
considered good*	2,216	1,608
considered doubtful	3	2
	<u>2,244</u>	<u>1,618</u>

Less: Provision for doubtful debts

	28	10
	<u>2,216</u>	<u>1,608</u>
	3	2

* Includes dues from companies where directors are interested

7 CASH AND BANK BALANCES

Cash on hand	-	-
Balances with scheduled banks		
In current accounts *	288	224
In deposit accounts in Indian Rupees	1,222	2,800
Balances with non-scheduled banks		
In deposit accounts in foreign currency	-	-
In current accounts in foreign currency	338	405
	<u>1,848</u>	<u>3,429</u>
	3	3

*Includes balance in unclaimed dividend account

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to the Consolidated Balance Sheet as at December 31, 2006 March 31, 2006

8 LOANS AND ADVANCES

Unsecured, considered good		
Advances	-	1
prepaid expenses	27	32
for supply of goods and rendering of services	7	10
advance to gratuity trust	-	-
others	25	14
	<u>59</u>	<u>57</u>
Unbilled revenues	316	211
Advance income tax	309	267
Loans and advances to employees		
housing and other loans	40	49
salary advances	69	63
Electricity and other deposits	19	16
Rental deposits	16	16
Deposits with financial institution and body corporate(refer note 22.2.9)	872	607
Deposits with government authorities	-	-
Mark to Market forward contract & option - asset	84	-
Other assets	2	11
	<u>1,786</u>	<u>1,297</u>
Unsecured, considered doubtful		
Loans and advances to employees	1	1
	<u>1,787</u>	<u>1,298</u>
Less: Provision for doubtful loans and advances to employees	1	1
	<u><u>1,786</u></u>	<u><u>1,297</u></u>

9 CURRENT LIABILITIES

Sundry creditors		
capital goods	-	-
goods and services	19	12
accrued salaries and benefits		
salaries	36	9
bonus and incentives	189	260
unavailed leave	139	101
for other liabilities		
accrual for expenses	383	218
retention monies	9	13
withholding and other taxes payable	143	89
for purchase of intellectual property rights	-	20
others	5	3
	<u>923</u>	<u>725</u>
Advances received from clients	15	7
Unearned revenue	334	194
Unclaimed dividend	3	3
Mark to Market on options/due on forward contracts	-	5
	<u>1,275</u>	<u>934</u>

10 PROVISIONS

Proposed dividend	-	1,061
Provision for		
tax on dividend	-	149
income taxes*	303	190
post-sales client support and warranties	23	12
	<u>326</u>	<u>1,412</u>

* Refer to note 22.2.8

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the	Quarter ended December 31,		Nine months ended December 31,	
	2006	2005	2006	2005
11 SOFTWARE DEVELOPMENT AND BUSINESS PROCESS MANAGEMENT EXPENSES				
Salaries and bonus including overseas staff expenses	1,572	1,105	4,416	2,963
Contribution to provident and other funds	40	24	113	67
Staff welfare	13	10	33	24
Overseas travel expenses	107	78	342	258
Technical sub-contractors	85	40	211	111
Software packages				
for own use	60	35	147	102
for service delivery to clients	5	6	20	25
Communication expenses	18	14	53	46
Rent	8	7	24	19
Computer maintenance	7	7	17	15
Consumables	6	4	18	12
Provision for post-sales client support and warranties	5	(9)	11	(15)
Miscellaneous expenses	12	6	32	17
	<u>1,938</u>	<u>1,327</u>	<u>5,437</u>	<u>3,644</u>
12 SELLING AND MARKETING EXPENSES				
Salaries and bonus including overseas staff expenses	136	96	411	271
Contribution to provident and other funds	1	1	3	1
Staff welfare	1	1	2	1
Overseas travel expenses	27	18	77	56
Traveling and conveyance	1	2	6	3
Brand building	17	14	44	37
Commission and earnout charges	27	11	54	28
Professional charges	5	5	17	20
Rent	5	4	14	12
Marketing expenses	11	3	19	9
Telephone charges	2	2	5	4
Printing and stationery	1	-	1	1
Advertisements	-	-	2	1
Sales promotion expenses	1	-	2	1
Office maintenance	-	-	1	-
Communication Expenses	1	-	1	1
Insurance charges	-	-	-	-
Consumables	-	-	-	-
Software packages				
for own use	-	-	-	-
Computer maintenance	-	-	-	-
Rates and taxes	-	-	-	-
Miscellaneous expenses	-	1	2	2
	<u>236</u>	<u>158</u>	<u>661</u>	<u>448</u>

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Profit and Loss Account for the	Quarter ended December 31,		Nine months ended December 31,	
	2006	2005	2006	2005
13 GENERAL AND ADMINISTRATION EXPENSES				
Salaries and bonus including overseas staff expenses	73	43	202	122
Contribution to provident and other funds	3	2	9	6
Staff welfare	-	1	-	1
Telephone charges	31	20	90	60
Professional charges	38	27	109	70
Power and fuel	25	17	73	49
Office maintenance	26	20	78	53
Traveling and conveyance	23	17	68	47
Overseas travel expenses	5	5	17	16
Insurance charges	8	6	23	18
Printing and stationery	5	3	12	9
Rates and taxes	8	3	20	9
Donations	7	4	16	13
Rent	6	2	16	8
Advertisements	2	3	6	10
Professional membership and seminar participation fees	3	2	8	7
Repairs to building	5	3	15	11
Repairs to plant and machinery	4	3	10	8
Postage and courier	1	1	6	4
Books and periodicals	1	1	3	3
Recruitment and training	1	2	6	5
Provision for bad and doubtful debts	5	(4)	25	6
Provision for doubtful loans and advances	-	-	-	-
Commission to non-whole time directors	1	-	2	1
Auditor's remuneration				
statutory audit fees	-	-	1	1
certification charges	-	-	-	-
others	-	-	-	-
out-of-pocket expenses	-	-	-	-
Bank charges and commission	-	1	1	1
Freight charges	-	-	-	1
Research grants	2	1	7	1
Software packages				
for own use	-	1	-	1
Miscellaneous expenses	2	2	6	6
	<u>285</u>	<u>186</u>	<u>829</u>	<u>547</u>
14 OTHER INCOME, NET				
Interest received on deposits with banks and others*	32	27	107	76
Dividend received on investment in liquid mutual funds (non-trade unquoted)	38	25	87	57
Miscellaneous income, net (Refer to note 22.2.10)	9	1	16	3
Exchange differences	(20)	(58)	43	(68)
	<u>59</u>	<u>(5)</u>	<u>253</u>	<u>68</u>
*Tax deducted at source	4	4	23	14
15 PROVISION FOR TAXATION				
Income taxes*	134	81	376	245
Deferred taxes	(4)	2	(17)	(12)
	<u>130</u>	<u>83</u>	<u>359</u>	<u>233</u>
* Refer to note 22.2.8				

CONSOLIDATED FINANCIAL STATEMENTS OF INFOSYS TECHNOLOGIES LIMITED AND SUBSIDIARIES

in Rs. crore

Schedules to Consolidated Cashflow Statements for the

Nine months ended
December 31,

2006 2005

16 CHANGE IN LOANS AND ADVANCES

As per the Balance Sheet	1,786	1,496
Add: Gratuity transitional liability (Refer to note 22.2.21)	13	-
Less: Deposits with financial institutions, included in cash and cash equivalents Advance income taxes separately considered	(751)	(451)
	<u>(309)</u>	<u>(579)</u>
	739	466
Less: Opening balance considered	(504)	(407)
	<u>235</u>	<u>59</u>

17 CHANGE IN CURRENT LIABILITIES AND PROVISIONS

As per the Balance Sheet	1,601	1,570
Add/ (Less): Provisions separately considered in the cash flow Statement		
Income taxes	(303)	(709)
Dividends	-	-
Dividend tax	-	-
	<u>1,298</u>	<u>861</u>
Less: Opening balance considered*	(959)	(685)
	<u>339</u>	<u>176</u>

*Adjusted for liability towards intellectual property rights (Refer to note 22.2.19)

18 INCOME TAXES PAID

Charge as per the Profit and Loss Account	359	233
Add: Increase/ decrease in advance income taxes	42	175
Increase / decrease in deferred taxes	18	12
Less: Increase in income tax provision	(113)	(163)
	<u>306</u>	<u>257</u>

19 PURCHASE OF FIXED ASSETS AND CHANGE IN CAPITAL WORK-IN-PROGRESS

As per Balance Sheet*	859	686
Less: Opening Capital work-in-progress	(571)	(318)
Add: Closing Capital work-in-progress	578	447
	<u>866</u>	<u>815</u>

* Excludes Rs 4 crore towards movement of land from Leasehold to Freehold

* Excludes goodwill on buyback of Infosys BPO Ltd shares

20 INVESTMENTS IN / (DISPOSAL OF) SECURITIES *

As per the Balance Sheet	2,192	2,205
Add: Provisions made on investments	3	1
	<u>2,195</u>	<u>2,206</u>
Less: Profit on sale of liquid mutual funds	(8)	-
Opening balance considered	(755)	(1,211)
	<u>1,432</u>	<u>995</u>

* Refer to note 22.2.11 for details of investments and redemptions

21 CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD

As per the Balance Sheet	1,848	1,694
Add: Deposits with financial institutions, included herein	751	451
	<u>2,599</u>	<u>2,145</u>